

FDIC State Profile

Spring 2006

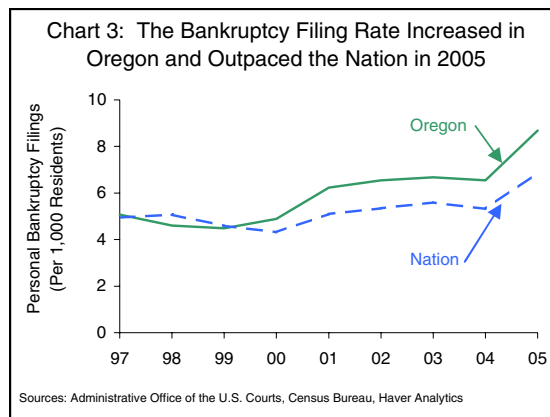
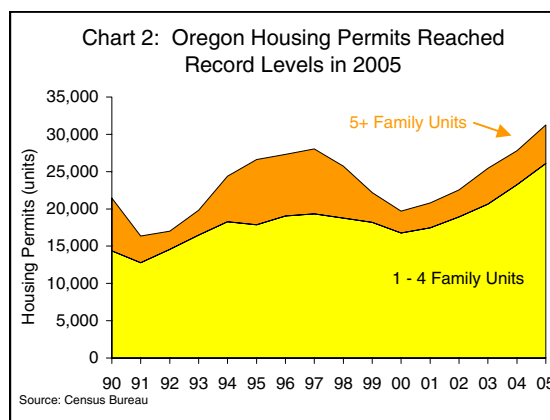
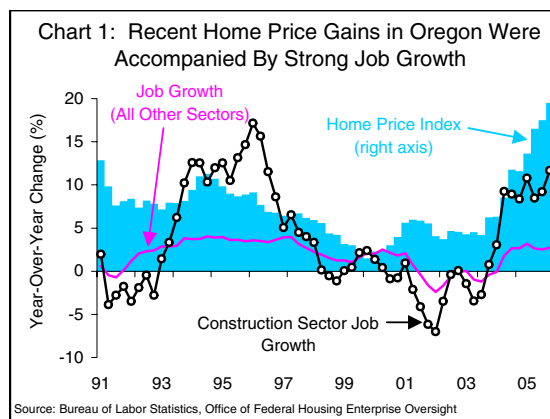
Oregon

Oregon's job market remained strong.

- Year-over-year employment growth in Oregon was 3.2 percent in fourth quarter 2005, ranking seventh among the states.
- Population growth and rising home prices fueled job gains. The state's construction sector, reported 11.7 percent growth during fourth quarter 2005 and accounted for nearly one in five new jobs (see Chart 1). Job gains in all other sectors, led by education/health services and retail trade, were comparatively flat.
- **Bend** remained a top market for employment growth year-over year in fourth quarter 2005 placing 14th among 367 metropolitan areas nationwide. **Medford** and **Portland** also placed in the top 100.
- **Corvallis** was one of only three metropolitan areas in the West to record a net loss of jobs in fourth quarter 2005, primarily attributable to manufacturing sector layoffs.
- Forecasts indicate that job gains for the state will ease somewhat in 2006.¹

Housing market conditions warrant monitoring.

- Oregon continued to attract new residents and reported a record level of housing permits issued in 2005 (see Chart 2). Year-over-year home price gains accelerated to 19.5 percent in fourth quarter 2005 and continued to outpace the nation. The state likely will continue to report solid construction job gains in 2006 as a result.
- Nevertheless, deteriorating house price affordability, particularly in Medford, and rising interest rates may weigh on the state's housing market going forward.
- Innovative mortgages and investors may be influencing Oregon housing demand. Interest-only and negative amortization loans accounted for 46 percent of non-prime mortgage originations in the state during the first 11 months of 2005. During the same period, investors and



¹Forecast data from Moody's Economy.com.

State Profile

second-home purchasers accounted for 26 percent of Oregon Alt-A mortgage originations.²

Oregon consumers face increasing pressure.

- High energy costs will continue to burden household pocketbooks, and higher prices will likely persist in 2006.³
- Rising interest rates and higher minimum payments on credit card balances also could pressure some consumers.
- Personal bankruptcy filings in Oregon increased markedly in 2005, rising to 8.7 filings per thousand residents in large part because of new bankruptcy legislation that took effect in October 2005 (see Chart 3). Forecasts indicate that the filing rate for the state will decline in 2006 but then drift upward in 2007.⁴

Although overall loan growth slowed, commercial real estate (CRE) concentrations remained high.

- Overall loan growth in Oregon moderated during 2005, but at 21.3 percent, it still ranked third nationally. Construction and development (C&D) portfolios grew at 37.1 percent, down from a year earlier level of 53.4 percent, but remained the fastest growing loan category for Oregon institutions (see Chart 4).
- Nearly 45 percent of Oregon-based banks and thrifts held C&D loans in excess of Tier 1 capital by the end of 2005.
- Other CRE, including multi-family loans, slowed in 2005 to 18.2 percent from the prior year level. Oregon ranked third in the nation at year-end 2005 with a median CRE to Tier 1 capital concentration of 446 percent versus a national median of 192 percent (see Chart 5).
- HELOC loans grew at the fourth fastest pace in the nation even as the pace of 1 – 4 family lending declined to 7.7 percent from the prior year-end level of 12.5 percent.
- Business lending was strong as reflected in a 21.5 percent median year-over-year growth in commercial and industrial loan portfolios at fourth quarter 2005, the highest in the nation.
- Strong economic conditions continued to help Portland CRE fundamentals as industrial market vacancy rates reached their lowest levels since 2001, while rents climbed to their highest levels in two years. Portland's office properties are recovering slowly with annual improvements in vacancies.

²Based on subprime and Alt-A private mortgage securitizations tracked by LoanPerformance. Alt-A loans include mortgages that have near-prime credit quality, lack full loan documentation, or are secured by investor properties.

³Forecast data from the Energy Information Administration's 2006 Annual Energy Outlook.

⁴Forecast filing rate calculated using Moody's Economy.com forecast data for bankruptcy filings and population.

- Median fourth quarter 2005 past-due CRE loan levels among Oregon-based institutions were negligible and below the national rate.

Rising interest rates boosted quarterly net interest margins (NIMs), but tempered investment portfolio values.

- Oregon-based insured institutions continued to report excellent quarterly earnings. The median fourth quarter pretax return on asset ratio remained unchanged from the prior year-end at 1.78 percent ranking seventh nationally.
- NIMs improved from the prior year as interest income rose sufficiently to offset increases in interest expense. Slight improvements in provision and overhead expense burdens offset a decline in fee income.
- Rising interest rates contributed to a decrease in the value of securities portfolios held by the state's institutions in fourth quarter 2005, as only 2.6 percent of the state's banks recorded securities gains versus 18.4 percent at the prior year-end.
- Overall past-due loan levels at Oregon institutions improved year-over-year to 0.32 percent, the fifth lowest delinquency rate among the states.

Chart 4: Construction Portfolios Drove Oregon Loan Growth in 2005

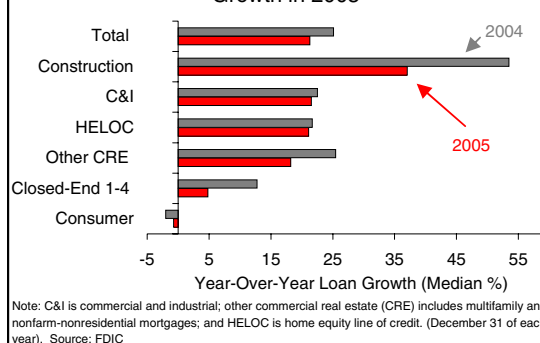
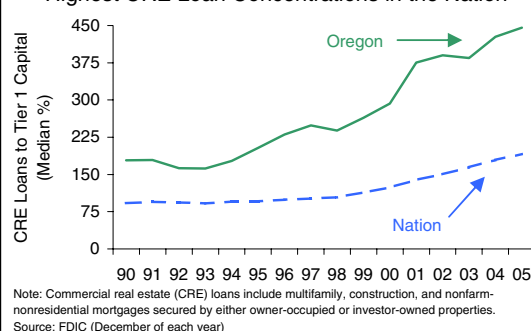


Chart 5: Oregon Institutions Reported the Third Highest CRE Loan Concentrations in the Nation



Oregon at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q4-05	Q3-05	Q4-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	3.2%	2.9%	3.0%	2.1%	-0.7%
Manufacturing (12%)	1.7%	1.0%	4.2%	2.5%	-3.3%
Other (non-manufacturing) Goods-Producing (6%)	9.9%	8.2%	7.8%	7.0%	-1.5%
Private Service-Producing (64%)	3.7%	3.5%	2.7%	1.9%	0.3%
Government (17%)	0.0%	0.0%	1.6%	0.9%	-2.1%
Unemployment Rate (% of labor force)	5.8	6.1	6.9	7.3	8.1

Other Indicators	Q4-05	Q3-05	Q4-04	2004	2003
Personal Income	N/A	5.9%	6.6%	5.7%	2.0%
Single-Family Home Permits	6.0%	11.0%	19.0%	13.6%	5.0%
Multifamily Building Permits	28.7%	-21.1%	7.0%	-2.4%	41.7%
Existing Home Sales	0.2%	15.5%	12.2%	15.8%	8.6%
Home Price Index	19.5%	17.5%	11.6%	9.6%	4.8%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	11.12	9.30	6.11	6.55	6.68

BANKING TRENDS

General Information	Q4-05	Q3-05	Q4-04	2004	2003
Institutions (#)	40	40	40	40	38
Total Assets (in millions)	25,927	23,479	23,601	23,601	21,395
New Institutions (# < 3 years)	8	7	8	8	4
Subchapter S Institutions	2	2	2	2	2

Asset Quality	Q4-05	Q3-05	Q4-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	0.32	0.43	0.44	0.44	0.84
ALLL/Total Loans (median %)	1.14	1.17	1.20	1.20	1.18
ALLL/Noncurrent Loans (median multiple)	4.75	5.66	4.86	4.86	2.32
Net Loan Losses / Total Loans (median %)	0.00	0.00	0.02	0.05	0.12

Capital / Earnings	Q4-05	Q3-05	Q4-04	2004	2003
Tier 1 Leverage (median %)	10.17	9.92	10.52	10.52	10.38
Return on Assets (median %)	1.34	1.34	1.23	1.13	1.26
Pretax Return on Assets (median %)	1.78	1.80	1.78	1.52	1.75
Net Interest Margin (median %)	5.45	5.15	5.08	4.95	5.04
Yield on Earning Assets (median %)	7.04	6.82	6.32	6.12	6.53
Cost of Funding Earning Assets (median %)	2.00	1.81	1.34	1.27	1.44
Provisions to Avg. Assets (median %)	0.16	0.18	0.17	0.17	0.24
Noninterest Income to Avg. Assets (median %)	0.65	0.71	0.74	0.66	1.04
Overhead to Avg. Assets (median %)	3.45	3.42	3.50	3.47	3.73

Liquidity / Sensitivity	Q4-05	Q3-05	Q4-04	2004	2003
Loans to Assets (median %)	74.1	73.5	74.7	74.7	72.8
Noncore Funding to Assets (median %)	17.3	15.7	16.6	16.6	14.0
Long-term Assets to Assets (median %, call filers)	17.1	15.9	23.1	23.1	26.2
Brokered Deposits (number of institutions)	14	14	13	13	11
Brokered Deposits to Assets (median % for those above)	11.1	8.2	2.5	2.5	2.8

Loan Concentrations (median % of Tier 1 Capital)	Q4-05	Q3-05	Q4-04	2004	2003
Commercial and Industrial	104.3	94.0	97.1	97.1	90.9
Commercial Real Estate	445.8	426.8	427.4	427.4	384.6
<i>Construction & Development</i>	91.3	88.0	77.8	77.8	78.9
<i>Multifamily Residential Real Estate</i>	19.8	20.0	22.1	22.1	20.7
<i>Nonresidential Real Estate</i>	247.7	242.4	260.7	260.7	237.2
Residential Real Estate	62.3	61.1	65.2	65.2	70.3
Consumer	11.2	12.3	13.9	13.9	20.1
Agriculture	9.1	12.8	9.9	9.9	9.5

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Portland-Vancouver-Beaverton, OR-WA	40	25,150	< \$250 million	26 (65%)
Eugene-Springfield, OR	16	3,349	\$250 million to \$1 billion	10 (25%)
Salem, OR	18	3,342	\$1 billion to \$10 billion	4 (10%)
Medford, OR	13	2,362	> \$10 billion	0 (0%)
Bend, OR	14	1,990		